

Message Text

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PAGE 01 ROME 09221 280636Z

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INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY COPENHAGEN

USMISSION GENEVA

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TAGS: EAGR IT

SUBJ: EC-MAGHREB: CONCESSIONS TO ITALIANS IN CITRUS SECTOR

STATE PASS AGRICULTURE/FAS

FROM AGRICULTURAL ATTACHE

1. /SUMMARY/. PRELIMINARY ANALYSIS OF CITRUS CONCESSIONS TO ITALY
BY EC AGMINS IN LUXEMBOURG IN EXCHANGE FOR ACCORD ON AGRICULTURAL
IMPORTS FROM MAGHREB SHOWS TWO EC CONCESSIONS TO ITALY, ON
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PAGE 02 ROME 09221 280636Z

LEMONS AND ON PROCESSING PREMIUMS FOR ORANGES, MAY AFFECT U.S.

EXPORTS. /END SUMMARY./

2. RELYING ON PRESS REPORTS OF CONCESSIONS GRANTED IN CITRUS SECTOR TO ITALY BY EC IN EXCHANGE FOR ACCORD REACHED IN LUXEMBOURG ON AGRICULTURAL IMPORTS FROM MAGHREB, AGATT OFFICE SEES TWO OF THESE CONCESSIONS DIRECTLY AFFECTING U.S. EXPORTS, WITH A THIRD ALSO PERTINENT.

(A) LIMONS- EXTENSION OF PENETRATION PRICE SYSTEM FOR ORANGES (SUBSIDIES ON ITALIAN EXPORTS TO OTHER EC COUNTRIES) TO COVER LOMONS MAY PUT U.S. LEMON SALES TO WEST GERMANY AND OTHER EC MEMBERS AT A DISADVANTAGE. CALIFORNIA LEMONS ALREADY COMMAND A HIGHER PRICE IN WEST GERMANY, LARGEST U.S. MARKET IN EC, THAN ITALIAN LEMONS BECAUSE OF BETTER QUALITY AND PACKAGING, HENCE THIS SUBSIDY WILL WIDEN THE PRICE SPREAD. IT SHOULD BE NOTED THAT THE REPORTED SUBSIDY OF ABOUT 40 LIRE/KILO, DEPENDING ON LEMON VARIETY, WOULD AT PRESENT PRICES REPRESENT 50 PERCENT SUBSIDY. WITH GLOBAL MEDITERRANEAN POLICY OF INCREASED PREFERENTIAL TREATMENT PRESUMABLY ABOUT TO INCOMPASS SPAIN, ITALIAN EVIDENTLY WANTED AND GOT PROTECTION IN ADVANCE.

(B) TRANSFORMATION PREMIUM ON ORANGES. ALL PROCESSING OF ORANGES IN ITALY WILL BE SUBSIDIZED. UNDER PREVIOUS SYSTEM, ONLY THE AMOUNT PROCESSED ABOVE A FIRM'S "NORMAL" PRODUCTION LEVEL (BASED ON AN AVERAGE OF X YEARS) IS GIVEN A SUBSIDY. THE CHANGE WILL HELP MAKE ITALIAN JUICE MORE COMPETITIVE IN WORLD MARKETS, AND WILL PROBABLY BRING ABOUT AN INCREASE IN ORANGE JUICE PRODUCTION (IF ONLY FROM FRUIT THAT WOULD OTHERWISE BE DESTROYED), THUS INDIRECTLY AFFECTING U.S. SALES TO SOME COUNTRIES.

(C) CITRUS JUICE IMPORTS. THE EXTENSION OF THE SAFEGUARD CLAUSES WHICH EFFECTIVELY BLOCK CITRUS JUICE IMPORTS INTO ITALY IS MERELY EXTENSION OF STATUS QUO (ASSUMING GRAPEFRUIT JUICE CONTINUES TO BE EXEMPT). ON THE OTHER HAND, PRIVATE U.S. EFFORTS TO SET UP PROGRAM OF EXPORTING CITRUS CONCENTRATES INTO ITALY IN EXCHANGE FOR TECHNICAL ASSISTANCE WILL THUS CONTINUE TO FACE EC-SACTIONED BARRIERS.

3. PRESS REACTION HAS STRESSED POLITICAL IMPORTANCE OF AGMIN MARCORA'S NEEDING TO OBTAIN SOMETHING FOR ITALY IN EXCHANGE FOR EC'S REDUCING TARIFFS TO MEDITERRANEAN COUNTRIES. /CORRIERE DELLA SERA/ REPORTS GERMANS AGREED TO PROGRAM BECAUSE UNCLASSIFIED

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PAGE 03 ROME 09221 280636Z

THEY EXPECTED ITALIAN TO ENSNARE THEMSELVES IN USUAL RED TAPE AND THUS NOT TAKE FULL ADVANTAGE OF CONCESSIONS WHICH WOULD MEAN LESS COST TO FEOGA AND INDIRECTLY GERMANY. CONFAGRICOLTURA, LARGE-SCALE FARMERS ORGANIZATION, CALLED THE PACKAGE DEAL A GOOD MEASURE WHICH UNFORTUNATELY DOES NOT GO FAR ENOUGH TO PROTECT ITALIAN FARMERS AND WHICH WILL NEED TO BE

ACCOMPANIED BY CONCURRENT ITALIAN STRUCTURAL REFORM AND IMPROVED
MARKETING AND DISTRIBUTION SYSTEM.VOLPE

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